

## DEPARTMENT OF INSURANCE

November 27, 2012

## Bulletin 194

## Credit Life and Accident and Health Rates

This Bulletin is directed to all insurers engaged in the business of selling credit insurance in the state of Indiana. Pursuant to [760 IAC 1-5.1-4](#), benefits provided by consumer credit insurance policies must be reasonable in relation to the premium charged. A loss ratio of not less than 55% is regarded as reasonable. [760 IAC 1-5.1](#) (the "Rule") provided prima facie rates considered to be meet the reasonableness requirement.

[760 IAC 1-5.1-9](#) requires the Commissioner to review the loss ratio standards and the prima facie rates contained in the Rule on a triennial basis. In the review of the loss ratio standards, the Commissioner is to:

- (1) determine the rate of expected claims on a statewide basis;
- (2) compare such rate of expected claims with the rate of actual claims for the preceding three years determined from the incurred claims and earned premiums at prima facie rates reported in the annual statement supplement or other available source; and
- (3) publish in the Indiana Register the adjusted actual statewide prima facie rates to be used by insurers during the next triennium.

This Bulletin is intended to fulfill the requirements of the Rule.

The applicable provisions of [760 IAC 1-5.1](#) were effective January 1, 2003, and rates were reviewed in 2006 (see Bulletin 144) and 2009 (see Bulletin 173). With the conclusion of the calendar year 2011, there are three new years of experience available, and the triennial review is due.

**Discount Rate**

Pursuant to [760 IAC 1-5.1-9](#), every three years the discount rate is to be adjusted based on the sales of the three-year Treasury Notes on the last day of the last three calendar years. The rates paid at the last day of 2009, 2010, and 2011 are listed below:

Calendar Year	3 Year Treasury Rate
2009	1.70
2010	1.02
2011	0.36
Average for 3 years	1.02

Based upon this information the discount rate would reduce slightly. A reduced discount rate results in larger single premiums being collected for credit insurance coverages.

**Conclusion**

The discount rates to be used are 1.42% for life and 1.02% for accident and health. The life discount rate includes 0.4% for mortality.

**Life****Actual Experience**

Based on data received from the National Association of Insurance Commissioners, credit life insurance has generated the following loss ratios over the last three calendar years:

Calendar Year	Loss Ratio
2009	57.1
2010	66.5
2011	65.0
Aggregate for 3 years	62.3

Adjusting the above Loss Ratios for the adjustment to prima facie rates would result in the following loss ratios:

Calendar Year	Loss Ratio
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2009	54.9
2010	64.4
2011	61.8
Aggregate for 3 years	59.9

The loss ratio for credit life has been slightly above the 55%; therefore, an increase of 9% to the prima facie rate is indicated.

### Conclusion

Based on the above information, the Commissioner has determined that, pursuant to [760 IAC 1-5.1](#), the aggregate rate adjustment indicated for life prima facie is 9%. The credit life prima facie rates for monthly outstanding balance basis are, therefore, increased to:

- (1) sixty-five cents (\$0.65) per month per one thousand dollars (\$1,000) of outstanding insured debt on single life; and
- (2) one dollar (\$1.09) *[sic]* per month per one thousand dollars (\$1,000) of outstanding insured debt on joint life;

if premiums are payable on a monthly outstanding balance basis.

### Accident and Health/Disability

#### Actual Experience

Based on data received from the National Association of Insurance Commissioners, credit accident and health insurance has generated the following loss ratios over the last three calendar years:

Calendar Year	Loss Ratio
2009	47.7
2010	53.7
2011	61.9
Aggregate for 3 years	53.5

Adjusting the above Loss Ratios for the adjustment to prima facie rates would result in the following loss ratios:

Calendar Year	Loss Ratio
2009	50.5
2010	56.5
2011	64.1
Aggregate for 3 years	56.2

While the aggregate loss ratio has been slightly higher than the statutory target of 55%, the indicated increase to the rates would only be 2%. The Commissioner considers this increase to be de minimus *[sic]*.

### Conclusion

The rate adjustment indicated for accident and health is de minimus *[sic]*. Thus, the rate remains unchanged from those established by Bulletin 144 and continued by Bulletin 173 and are shown below. The credit accident and health prima facie rates are single premium rates based on type of coverage (14 day retro and nonretro and 30 day retro and nonretro) and length of loan.

Original Number of Equal Monthly Installments	14 Day Retroactive Policy	14 Day Nonretroactive Policies	30 Day Retroactive Policies	30 Day Nonretroactive Policies
6	1.39	0.91	0.94	0.71
12	1.85	1.29	1.27	0.95
24	2.49	1.79	1.79	1.25
36	3.07	2.35	2.32	1.68
48	3.41	2.70	2.66	1.99
60	3.70	2.98	2.95	2.26

## Indiana Register

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72	3.97	3.23	3.21	2.50
84	4.20	3.47	3.44	2.74
96	4.42	3.69	3.65	2.96
108	4.65	3.90	3.87	3.17
120	4.86	4.10	4.07	3.37

Rates other than the prima facie rates announced in this Bulletin may be used if they are filed with the Department and approved as reasonable in relation the benefits provided. Information on filing rates may be found on the Department's web site at [www.in.gov/idoi](http://www.in.gov/idoi).

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### INDIANA DEPARTMENT OF INSURANCE

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